



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ May 5, 2015

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Colo, Iowa.

The City's receipts totaled \$1,715,238 for the year ended June 30, 2014. The receipts included \$211,105 in property tax, \$153,734 from tax increment financing, \$340,134 from charges for service, \$845,055 from operating grants, contributions and restricted interest, \$45,050 from capital grants, contributions and restricted interest, \$96,109 from local option sales tax, \$2,748 from unrestricted interest on investments and \$21,303 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$1,105,567, and included \$165,363 for debt service, \$154,316 for public works and \$129,032 for culture and recreation. Also, disbursements for business type activities totaled \$379,830.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1421-0814-B00F.pdf>.

#

CITY OF COLO
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

Table of Contents

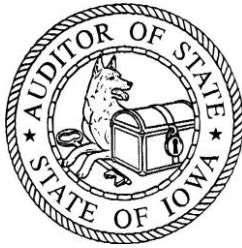
	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 8-9
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 10-11
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 12
Notes to Financial Statements	13-20
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	22-23
Notes to Other Information – Budgetary Reporting	24
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1 26
Schedule of Indebtedness	2 28-29
Note Maturities	3 30
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	31-32
Schedule of Findings	33-39
Staff	40

City of Colo

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
John Wilson	Mayor	Jan 2016
Paul Conrad	Council Member	Jan 2014
Diane Nichols	Council Member	Jan 2014
Alex Patrick	Council Member	(Resigned)
Patrick Peakin	Council Member	Jan 2014
Earl Otto (Appointed)	Council Member	Nov 2015
Tyler Norgart	Council Member	Jan 2016
Scott Berka	City Clerk/Treasurer	Indefinite
Dario Zaffrano	Attorney	Indefinite
(After January 2014)		
John Wilson	Mayor	Jan 2016
Tyler Norgart	Council Member	(Resigned May 2014)
Earl Otto	Council Member	Nov 2015
Paul Conrad	Council Member	Jan 2018
Larry Milleson	Council Member	Jan 2018
Diane Nichols	Council Member	Jan 2018
Scott Berka	City Clerk/Treasurer	Indefinite
Dario Zaffrano	Attorney	Indefinite

City of Colo



OFFICE OF AUDITOR OF STATE STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Colo, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2013.

Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2013, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Colo as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Colo's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information on pages 22 through 24, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2015 on our consideration of the City of Colo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Colo's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 13, 2015

Basic Financial Statements

City of Colo

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 120,593	-	79,840	-
Public works	154,316	-	93,840	-
Health and social services	10,404	-	6,818	-
Culture and recreation	129,032	4,687	363,399	-
Community and economic development	19,403	-	317,241	-
General government	126,626	635	-	-
Debt service	165,363	-	-	-
Total governmental activities	725,737	5,322	861,138	-
Business type activities:				
Water	192,447	154,498	-	45,050
Sewer	112,352	99,072	-	-
Sanitation	75,031	75,159	-	-
Total business type activities	379,830	328,729	-	45,050
Total	\$ 1,105,567	334,051	861,138	45,050

General Receipts and Transfers:

Property and other city tax levied for general purposes

Tax increment financing

Local option sales tax

Unrestricted interest on investments

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

 Streets

 Urban renewal purposes

 Debt service

 Cemetery

 Library

 Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Primary Government		
Governmental Activities	Business Type Activities	Total
(40,753)	-	(40,753)
(60,476)	-	(60,476)
(3,586)	-	(3,586)
239,054	-	239,054
297,838	-	297,838
(125,991)	-	(125,991)
(165,363)	-	(165,363)
140,723	-	140,723
-	7,101	7,101
-	(13,280)	(13,280)
-	128	128
-	(6,051)	(6,051)
140,723	(6,051)	134,672
211,105		211,105
153,734	-	153,734
96,109	-	96,109
1,386	1,362	2,748
21,303	-	21,303
10,000	(10,000)	-
493,637	(8,638)	484,999
634,360	(14,689)	619,671
428,213	273,582	701,795
\$ 1,062,573	258,893	1,321,466
\$ 8,429	-	8,429
45,576	-	45,576
2,359	32,043	34,402
354,987	-	354,987
324,673	-	324,673
9,365	-	9,365
317,184	226,850	544,034
\$ 1,062,573	258,893	1,321,466

City of Colo

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2014

		Special Revenue	
		Road	Urban
	General	Use	Renewal Tax
		Tax	Increment
Receipts:			
Property tax	\$ 167,391	-	-
Tax increment financing	-	-	153,734
Other city tax	4,386	-	-
Licenses and permits	635	-	-
Use of money and property	7,234	-	-
Intergovernmental	78,223	87,472	-
Charges for service	4,687	-	-
Miscellaneous	710,898	-	-
Total receipts	973,454	87,472	153,734
Disbursements:			
Operating:			
Public safety	120,593	-	-
Public works	28,978	125,338	-
Health and social services	10,404	-	-
Culture and recreation	129,032	-	-
Community and economic development	-	-	19,403
General government	126,626	-	-
Debt service	-	-	55,653
Total disbursements	415,633	125,338	75,056
Excess (deficiency) of receipts over (under) disbursements	557,821	(37,866)	78,678
Other financing sources (uses):			
Transfers in	145,000	-	-
Transfers out	-	-	(109,710)
Total other financing sources (uses)	145,000	-	(109,710)
Change in cash balances	702,821	(37,866)	(31,032)
Cash balances beginning of year	294,023	46,295	76,608
Cash balances end of year	\$ 996,844	8,429	45,576
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	8,429	-
Urban renewal purposes	-	-	45,576
Debt service	-	-	-
Cemetery	354,987	-	-
Library	324,673	-	-
Other purposes	-	-	-
Assigned for equipment	147,943	-	-
Unassigned	169,241	-	-
Total cash basis fund balances	\$ 996,844	8,429	45,576

See notes to financial statements.

Debt Service	Nonmajor	Total
-	39,328	206,719
-	-	153,734
-	96,109	100,495
-	-	635
-	-	7,234
-	-	165,695
-	-	4,687
-	-	710,898
-	135,437	1,350,097
-	-	120,593
-	-	154,316
-	-	10,404
-	-	129,032
-	-	19,403
-	-	126,626
109,710	-	165,363
109,710	-	725,737
(109,710)	135,437	624,360
109,710	-	254,710
-	(135,000)	(244,710)
109,710	(135,000)	10,000
-	437	634,360
2,359	8,928	428,213
2,359	9,365	1,062,573
-	-	8,429
-	-	45,576
2,359	-	2,359
-	-	354,987
-	-	324,673
-	9,365	9,365
-	-	147,943
-	-	169,241
2,359	9,365	1,062,573

City of Colo

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2014

	Enterprise			
	Water	Sewer	Solid Waste	Total
Operating receipts:				
Charges for service	\$ 149,426	99,072	75,159	323,657
Miscellaneous	5,072	-	-	5,072
Total operating receipts	154,498	99,072	75,159	328,729
Operating disbursements:				
Business type activities	108,651	50,004	75,031	233,686
Excess of operating receipts over operating disbursements	45,847	49,068	128	95,043
Non-operating receipts (disbursements):				
Grant	45,050	-	-	45,050
Interest on investments	684	678	-	1,362
Debt service	(29,123)	(20,000)	-	(49,123)
Capital projects	(54,673)	(42,348)	-	(97,021)
Net nonoperating receipts (disbursements)	(38,062)	(61,670)	-	(99,732)
Excess (deficiency) of receipts over (under) disbursements	7,785	(12,602)	128	(4,689)
Transfers out	(5,000)	(5,000)	-	(10,000)
Change in cash balances	2,785	(17,602)	128	(14,689)
Cash balances beginning of year	186,310	80,327	6,945	273,582
Cash balances end of year	\$ 189,095	62,725	7,073	258,893
Cash Basis Fund Balances				
Restricted for debt service	\$ 32,043	-	-	32,043
Unrestricted	157,052	62,725	7,073	226,850
Total cash basis fund balances	\$ 189,095	62,725	7,073	258,893

See notes to financial statements.

City of Colo
Notes to Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Colo is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Colo has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Emergency Management Commission and Story County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Solid Waste Fund accounts for the operation and maintenance of the City's solid waste collection program.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net positions available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the public safety function.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) **Notes Payable**

Annual debt service requirements to maturity for general obligation notes and the revenue note are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 90,000	6,910	8,360	20,763	98,360	27,673
2016	95,000	4,480	8,715	20,408	103,715	24,888
2017	45,000	1,440	9,086	20,037	54,086	21,477
2018	-	-	9,472	19,651	9,472	19,651
2019	-	-	9,874	19,249	9,874	19,249
2020-2024	-	-	56,035	89,580	56,035	89,580
2025-2029	-	-	68,998	66,617	68,998	66,617
2030-2034	-	-	84,960	60,655	84,960	60,655
2035-2039	-	-	104,616	40,999	104,616	40,999
2040-2044	-	-	126,929	16,800	126,929	16,800
Total	\$ 230,000	12,830	487,045	374,759	717,045	387,589

Revenue Note

The City has pledged future water customer receipts, net of specified operating disbursements, to repay a \$550,000 water revenue note issued in September 2004. Proceeds from the note provided financing for the improvement and extensions to the water distribution system and refunding the City's outstanding \$750,000 water loan note. The note is payable solely from water customer net receipts and is payable through 2044. Annual principal and interest payments on the note are expected to require less than of 64% net receipts. The total principal and interest remaining to be paid on the note is \$861,804. For the current year, principal and interest paid and total customer net receipts were \$29,123 and \$45,847, respectively.

The City entered into a \$20,000 interest free sewer revenue capital loan note in June 2011 with the Iowa Finance Authority for the purpose of a wastewater study. The note was payable solely from sewer customer net receipts and was paid in full in June 2014.

General Obligation Notes

In December 2009, the City issued \$790,000 of general obligation capital loan notes for improvements to the City's storm sewer system and for refunding other City indebtedness. The notes bear interest at rates ranging from 1.0% to 3.2% per annum and mature in annual amounts with the final maturity due in the year ending June 30, 2017.

TIF Note

In June 2004, the City entered into a \$226,800 Tax Increment Revenue Promissory note with Colo Telephone Company for road improvements in the City's urban renewal area. The note was interest free and required annual payments of \$28,350.

During the year ended June 30, 2014, the City paid the remaining principal balance of \$28,350.

Story County Engineer Agreement

In September 2009, the City entered into an agreement to repay the Story County Engineer's Office \$128,787 for road work completed in the City as part of a larger County project. The loan bears interest at 3% per annum, matures June 1, 2017 and requires annual payments.

During the year ended June 30, 2014, the City paid \$27,303 of principal and interest to fully repay the agreement.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2014 was \$15,886, equal to the required contributions for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 10,000
Sick leave	2,000
Compensatory time	<u>3,000</u>
Total	<u>\$ 15,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 95,000
	Employee Benefits	40,000
	Enterprise:	
	Water	5,000
	Sewer	<u>5,000</u>
		145,000
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	<u>109,710</u>
Total		<u>\$ 254,710</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300%

of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$14,013.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workmen's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Subsequent Events

In July 2014, the City issued \$1,250,000 of general obligation tax increment financing bonds and entered into construction contracts totaling \$1,145,076 for a street project.

(9) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and other information.

Other Information

City of Colo

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 206,719	-	206,719
Tax increment financing	153,734	-	153,734
Other city tax	100,495	-	100,495
Licenses and permits	635	-	635
Use of money and property	7,234	1,362	8,596
Intergovernmental	165,695	45,050	210,745
Charges for service	4,687	323,657	328,344
Miscellaneous	710,898	5,072	715,970
Total receipts	1,350,097	375,141	1,725,238
Disbursements:			
Public safety	120,593	-	120,593
Public works	154,316	-	154,316
Health and social services	10,404	-	10,404
Culture and recreation	129,032	-	129,032
Community and economic development	19,403	-	19,403
General government	126,626	-	126,626
Debt service	165,363	-	165,363
Business type activities	-	379,830	379,830
Total disbursements	725,737	379,830	1,105,567
Excess (deficiency) of receipts over (under) disbursements	624,360	(4,689)	619,671
Other financing sources (uses), net	10,000	(10,000)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	634,360	(14,689)	619,671
Balances beginning of year	428,213	273,582	701,795
Balances end of year	\$ 1,062,573	258,893	1,321,466

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
201,748	201,748	4,971
157,027	157,027	(3,293)
108,443	108,443	(7,948)
715	715	(80)
18,356	18,356	(9,760)
154,495	199,495	11,250
315,300	315,300	13,044
15,513	647,513	68,457
971,597	1,648,597	76,641
103,228	103,228	(17,365)
156,102	156,102	1,786
11,104	11,104	700
122,131	134,131	5,099
18,898	19,898	495
127,230	127,230	604
165,733	165,733	370
343,160	397,160	17,330
1,047,586	1,114,586	9,019
(75,989)	534,011	85,660
-	-	-
(75,989)	534,011	85,660
597,551	597,551	104,244
521,562	1,131,562	189,904

City of Colo

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$67,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the public safety function.

Supplementary Information

Schedule 1

City of Colo

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue		
	Local Option Sales Tax	Employee Benefits	Total
Receipts:			
Property tax	\$ -	39,328	39,328
Other city tax	96,109	-	96,109
Total receipts	96,109	39,328	135,437
Transfers out	(95,000)	(40,000)	(135,000)
Change in cash balances	1,109	(672)	437
Cash balances beginning of year	7,248	1,680	8,928
Cash balances end of year	\$ 8,357	1,008	9,365
Cash Basis Fund Balances			
Restricted for other purposes	\$ 8,359	1,008	9,365

See accompanying independent auditor's report.

City of Colo

City of Colo
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan note series 2009	Dec 22, 2009	1.00-3.20%	\$ 790,000
Revenue notes:			
Water revenue note	Sep 28, 2004	4.25%	\$ 550,000
Sewer revenue note	Jun 22, 2011	0.00	20,000
Total			
Tax increment financing (TIF) note:			
Colo Telephone Company	Jun 1, 2004	0.00%	\$ 226,800
Agreement:			
Story County Engineer	Mar 23, 2010	3.00%	\$ 128,787
See accompanying independent auditor's report.			

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$	330,000	-	100,000	230,000	9,710
	495,901	-	8,856	487,045	20,267
	20,000	-	20,000	-	-
\$	515,901	-	28,856	487,045	20,267
\$	28,350	-	28,350	-	-
\$	51,515	-	28,856	487,045	20,267

City of Colo

Note Maturities

June 30, 2014

General Obligation Notes			Revenue Note	
Capital Loan Note			Water	
Series 2009			Issued Sep 28, 2004	
Year Ending June 30,	Issued Dec 22, 2009		Issued Sep 28, 2004	
	Interest Rates	Amount	Interest Rates	Amount
2015	2.70%	\$ 90,000	4.25%	\$ 8,360
2016	3.20	95,000	4.25	8,715
2017	3.20	45,000	4.25	9,086
2018		-	4.25	9,472
2019		-	4.25	9,874
2020		-	4.25	10,294
2021		-	4.25	10,731
2022		-	4.25	11,188
2023		-	4.25	11,663
2024		-	4.25	12,159
2025		-	4.25	12,675
2026		-	4.25	13,214
2027		-	4.25	13,776
2028		-	4.25	14,361
2029		-	4.25	14,972
2030		-	4.25	15,608
2031		-	4.25	16,271
2032		-	4.25	16,963
2033		-	4.25	17,684
2034		-	4.25	18,435
2035		-	4.25	19,219
2036		-	4.25	20,035
2037		-	4.25	20,887
2038		-	4.25	21,775
2039		-	4.25	22,700
2040		-	4.25	23,665
2041		-	4.25	24,671
2042		-	4.25	25,719
2043		-	4.25	26,812
2044		-	4.25	26,061
Total		<u>\$ 230,000</u>		<u>\$ 487,045</u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Colo, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 13, 2015. Our report expressed modified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Colo's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Colo's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Colo's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Colo's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) and (D) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Colo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of Colo's Responses to the Findings


The City of Colo's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Colo's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Colo during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 13, 2015

City of Colo

Schedule of Findings

Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person has control over each of the following areas of the City:
- (1) Accounting system – performing all general accounting functions, including journal entries and having custody of City assets.
 - (2) Cash and petty cash – reconciling bank accounts and initiating and recording cash receipt and disbursement transactions.
 - (3) Investments – investing and recording.
 - (4) Long term debt – recording and reconciling.
 - (5) Receipts – collecting, depositing, journalizing and posting.
 - (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
 - (7) Disbursements – purchasing, check signing, recording and reconciling.
 - (8) Payroll – recordkeeping, preparing and distributing.
 - (9) Computer system – performing all general accounting functions and controlling all data input and output.
 - (10) Financial reporting – preparing, reconciling and distributing.
 - (11) Journal entries – preparing and journalizing.

Also, monthly bank to book and utility billings, collections and delinquent accounts reconciliations are not reviewed by an independent person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Also, monthly bank to book reconciliations and utility billings, collections and delinquent accounts reconciliations should be reviewed by an independent person. Evidence of reviews of reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – The City will try to segregate more by splitting up duties. The City's financial accountability currently has monthly ledger and bank reconciliations performed. The deputy clerk does all reconciliations while the clerk does reviewing and will begin signing and dating all reconciliations.

Conclusion – Response accepted.

City of Colo

Schedule of Findings

Year ended June 30, 2014

- (B) City of Colo Recreation and Fire Departments – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the financial statements. Generally, one individual has control over collecting, depositing, posting, disbursing and reconciling for which no compensating controls exist.

In addition, the Departments do not issue prenumbered receipts for all collections and monthly bank reconciliations are not prepared. Also, checks were not issued in consecutive order. The Recreation Department did not retain invoices or other appropriate supporting documentation.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials and other current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of the review.

Prenumbered receipts should be issued for all collections. Also, checks should be issued in consecutive order. Invoices or other appropriate supporting documentation should be retained.

Also, to improve financial accountability and control, the ledger balances should be reconciled monthly to the bank balances. Any variances should be investigated and resolved in a timely manner. An independent person should review the reconciliations and document the review by signing or initialing and dating the review.

Response – The City has been doing monthly bank reconciliations for the Recreation Department as of July 1, 2014. As for the Fire Department's special fund, they are forming a non-profit.

Conclusion – Response acknowledged. The Fire Department ledger balances should be reconciled monthly to the bank balances. An independent person should review the reconciliations and document the review.

City of Colo

Schedule of Findings

Year ended June 30, 2014

- (C) Accounting Procedures Manual – The City does not have a current accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

Response – The City has purchased new computer software which will aid in these recommendations.

Conclusion – Response acknowledged. An accounting policies and procedures manual should be developed.

- (D) Computer Systems – During our review of internal control, the existing control activities in the City's computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with written accounting policies, applicable laws and regulations. The City does not have written policies for:

- requiring passwords to be changed at least every 60 to 90 days.
- maintaining password privacy and confidentiality.
- ensuring only software licensed to the City is installed on computers.
- usage of the internet.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over its computer systems.

Response – The City will develop written policy on these issues. We do have Norton anti-virus along with a lockout time on our computer screens requiring each to have a different password.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Colo

Schedule of Findings

Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the public safety function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – In the future, a budget amendment will be completed so disbursements will not exceed the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Open Flame	Spouse’s night out for firefighters	\$ 1,382
Sam’s Club	Candy/snack food for firefighters	242

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – For this fiscal year, the City believes this account is for the Fire Department. The Fire Department is currently setting up a non-profit.

Conclusion – Response acknowledged. As recommended, the City should establish written policies and procedures, including the requirements for proper documentation of the public purpose served by these types of disbursements.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Colo

Schedule of Findings

Year ended June 30, 2014

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Don Wilson, father of Mayor	Mowing	\$229

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, these transactions do not appear to represent a conflict of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the City Council minutes but were not.

Disbursements for the Fire and Recreation Departments and certain other disbursements were not approved by the City Council prior to disbursement in accordance with Chapter 372.13 (6) of the Code of Iowa.

Although minutes of the City Council proceedings were published, they did not include the total disbursements or a summary of receipts for Cemetery, Library and Local Option Sales Tax transactions.

Recommendation – The City should adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval.

Also, the City should publish the total disbursements from each fund, a listing of all claims allowed, including the purpose of the claim, and a summary of all receipts, as required.

Response – All items are being published as of July 1, 2014.

Conclusion – Response acknowledged. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a policy.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Notes – No instances of non-compliance with the revenue note resolution were noted.

City of Colo

Schedule of Findings

Year ended June 30, 2014

- (9) Payment of General Obligation Bonds – Chapter 384.4 of the Code of Iowa states, in part, “Money’s pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund.” The City paid certain general obligation debt from the Special Revenue, Urban Renewal Tax Increment Fund rather than the Debt Service Fund. This was corrected for financial reporting purposes.

Recommendation – The City should transfer from the Special Revenue, Urban Renewal Tax Increment Fund to the Debt Service Fund for future funding contributions. Payment of the bonds should then be disbursed from the Debt Service Fund.

Response – The City is doing this as of July 1, 2014.

Conclusion – Response accepted.

- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1. However, the City overstated the amount reported as TIF debt outstanding.

Recommendation – The City should ensure the amount reported as TIF debt agrees with the City’s records.

Response – In the future we will ensure the amounts reported are the same as our records show.

Conclusion – Response accepted.

- (11) Employee Benefits – The City appears to have used proceeds of the Special Revenue, Employee Benefits Fund property tax levy for the Enterprise, Water and Sewer Funds which is contrary to rules adopted by the City Finance Committee in accordance with Chapter 384.15 of the Code of Iowa.

Recommendation – The City should review this matter and take appropriate corrective action. Also, the City should ensure property tax is levied and expended for employee benefits only for employees paid from the General Fund and the Special Revenue, Road Use Tax Fund.

Response – The City will ensure levied property tax and employee benefits for employees are paid from the appropriate fund.

Conclusion – Response accepted.

- (12) Separately Maintained Records – The City Fire Department and the Recreation Department maintain separate accounting records for certain operations. These transactions and resulting balances are not included with the other City accounts, are not budgeted for and are not included in the City’s Annual Financial Reports.

Also, meeting minutes could not be located for the first six months of the year for the Recreation Department.

City of Colo

Schedule of Findings

Year ended June 30, 2014

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose."

For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the City's ledgers, budget and Annual Financial Reports.

Response - The Recreation Department's records are now maintained by the City as of July 1, 2014. As for the Fire Department, they are currently in the process of setting up a non-profit organization for their special fund.

Conclusion - Response accepted.

- (13) Emergency Fund Levy - Chapter 384.8 of the Code of Iowa provides a City may establish an Emergency Fund and transfers may be made from the Emergency Fund to the General Fund. The city levied property tax for the Emergency Fund, but recorded the property tax in the General Fund rather than establishing a separate fund.

Recommendation - The City should review this for compliance in the future.

Response - The City will review procedures to create an Emergency Fund.

Conclusion - Response accepted.

- (14) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City, the Fire Department and the Recreation Department retain electronic images of the front of cancelled checks, but not the back of cancelled checks.

Recommendation - The City, the Fire Department and the Recreation Department should retain an image of both the front and back of each cancelled check as required.

Response - The City is now receiving front and back images of cancelled checks as of December 31, 2014.

Conclusion - Response acknowledged. The Fire Department and the Recreation Department should also retain an image of both the front and back of each cancelled check as


required.

City of Colo

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Trisha S. Kunze, Staff Auditor
Trent M. Mussmann, Staff Auditor
Jenna M. Paysen, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State